

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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Hub Market Conditions



The November 2005 issue of "U.S. Market Conditions" reports that the housing sector continues to be a major contributor to U.S.

economic growth. Multifamily housing unit permits, starts, and completions, however, fell from the previous quarter. Compared to a year ago, multifamily starts were up 4.3%, but completions were down by 18.4%. In addition, the rental vacancy rate increased by 0.1% to 9.9%.

In New Jersey, the rental market remained relatively tight despite increased apartment production. Apartment vacancies were 3.5% for Central NJ and permit activity increased 26% to 16,600 units. Developers expect that demand will continue to be high for new condominiums along the NJ waterfront across from New York City. An example is a \$415 million condominium development recently approved for Jersey City. The community will contain 862 units in two towers overlooking the Manhattan skyline.

In the Mid-Atlantic area, Pennsylvania recorded a significant decline in permit activity with 2,500 fewer units compared with the same time in 2004. The most active market was the Philadelphia metropolitan area where permits for 4,600 units were authorized. The continued apartment construction and competition from sales of new

homes and condominiums have raised apartment rental rates.

The rental market in Center City Philadelphia has also softened. Delta Associates reports apartment vacancy rates of 12.2%-up from 9.8% reported in Sept. 2004. Favorable mortgage interest rates and 10-year property tax abatement for buyers have attracted renters to both high-rise condominiums and fee-simple townhouses. At least three projects that recently converted to condominiums are attracting first-time buyers with prices below \$250,000.

The Dover and Southern Delaware Housing Market Area, which includes Kent and Sussex Counties has been growing steadily. The rental markets in these counties is considered balanced. The average gross rent for a 2-BR /2-Bath unit in a newly constructed Class A development is \$950 in Kent County and \$710 in Sussex County. Since 2003, the strong economy has attracted new households to the area and construction has increased to meet demand. During the 12 months ending August 2005, permits increased 16.4% to 590 units. Previously, most new apartment construction occurred in Kent County; however, now more than 2/3 of the units scheduled to be built in the area were located in Sussex County.

The "U.S. Housing Market Conditions, 3rd Quarter, 2005" is available online at: http://www.huduser.org/periodicals/ushmc/fall05/SHMC_05Q3.pdf.

Tax Credit Activity

The following tax credit activity (in millions) occurred for 2005 and 2006, respectively: PA- \$25M (53 projects)/\$23 M; NJ- \$19.5M (20)/\$16.1M; DE- \$4.1M (7)/\$2.2M; and WV- \$3.4M (11)/\$3.3M.



Utility Expenses

Utility expenses this winter have increased dramatically. To help mitigate the impact on your property, you should take the following actions:



1. **Energy Plan.** Conduct an energy conservation plan for your property. Make sure that your property is weather insulated to avoid "energy loss."
2. **Educate Tenants to Conserve.** Circulate flyers reminding tenants/residents to conserve energy.
3. **Utility Allowance.** Make sure that the amount of allowance is still accurate. Determine if an increase in the dollar amount is necessary. Please refer to Chapter 7 of HUD Handbook 4350.01 Rev-1 for information regarding utility allowance increases.
4. **Utility Company Coordination.** You may contact your utility company for programs relating to energy conservation, payment plans and/or grants. If possible, make larger monthly (higher amount than your regular bill) payments to cover anticipated higher bills for winter months.
5. **Budget Review.** Identify the source of money in your budget that you can use to cover the anticipated higher energy bill.
6. **Budget Rent Increase/Reserve & Residual Accounts.** For properties that may require special budget increases or disbursement of funds from the Reserve or Surplus Accounts, please contact your assigned HUD Project Manager to discuss these options.

Practical Conservation Tips

The following practical energy conservation tips have been suggested by PGW (Philadelphia Gas Works):

1. Insulate, especially under the roof. Caulk and weather-strip doors and windows.
2. Install storm windows. Use drapes and blinds to reduce loss of heat through glass.
3. Keep furnace filters clean and your heater operating efficiently.
4. Install a programmable thermostat. It can save as much as 33% on energy bills and can usually pay for

itself within a year. (Prices start at about \$30).

5. Set your programmable thermostat to 68° or lower during active hours. Lower the temperature at night and when everyone is away.
6. Use kitchen and bath ventilating fans sparingly in cold weather. In just one hour, these fans can blow away a house-full of warm air.
7. Make sure doors fit snugly and are weather-stripped. Repair any cracked glass or loose putty. Fix leaky faucets.
8. Insulate your gas water heater, drain sediment from the bottom of the tank, and set the temperature to 120°.
9. Replace aging appliances with new high-efficiency equipment, if possible. A 93%-efficient furnace saves an average of \$135 per year in fuel costs, compared to a conventional 78%-efficient model.
10. Reverse the blade rotation on ceiling fans to draw warm air down to living spaces. This can cut heating bills by as much as 10% a season.

Neighborhood Networks Workshop

The Neighborhood Networks Consortia Development Team held the first in a series of workshops in the Philadelphia Office, on December 13, 2005 for 16 managers of existing and proposed Neighborhood Network Centers. The purpose of the workshop was to empower a group of Centers to collectively address sustainability. By joining the consortium, the Centers will benefit from increased access to funding, networking opportunities, 501(c)(3) nonprofit status, and resource sharing. The Team will provide technical assistance in the following areas: strategic planning, board development, vision and mission planning, funding research, and partnership development. Four site visits will be held in the near future to aid in the consortium development process.



Annual Program Funding

Congress has appropriated \$36.1 billion for HUD programs for 2006. This is \$6 billion less than 2005's \$42.6B. Funding for two multifamily programs, however, actually increased: Section 8 rental assistance- from \$13.4B to \$14.0B; and Section 202 housing for the elderly- from \$741M to



Certified Aging-in-Place Contractors

Over the next 16 years, 88 million people are projected to be over age 60. More than 80% will choose to live out their lives at home rather than move to a nursing home or assisted living facility, according to an AARP survey.

To safely accomplish this, homes require remodeling to create wider hallways (with railings), easy-access kitchens, and no-threshold showers (with grab bars). Unfortunately, few re-modelers are certified to retrofit homes to help seniors "age-in-place."

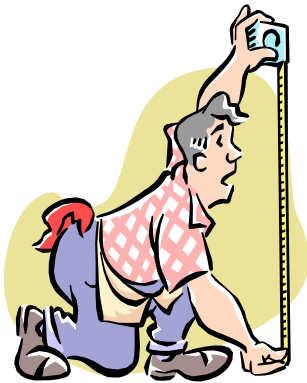
Contractors who are skilled in this type of work receive the designation of Certified Aging-in-Place Specialists (CAPS) from the National Association of Home Builders (NAHB). The CAPS designation program teaches the technical, business management, and customer skills essential to competing in the fastest growing segment of the residential remodeling industry.

Unfortunately, there is a tremendous scarcity of such specialists. The NAHB website reflects only 13 in PA, 10 in NJ, 4 in DE, and 0 in WV (Note: FL leads the nation with 48). The good news is that contractors are beginning to set aside time to take classes to earn the designation. They realize that people stay healthier longer and are going to need help to make their home accommodate the aging process. In 2002, the first year of CAPS, 53 contractors earned the designation. In 2005, that number is expected to exceed 300.

To obtain a free NAHB brochure on aging-in-place, visit the following website: www.nahb.org (keyword CAPS).

Appeals Ruling

The U.S. Court of Appeals for the Seventh Circuit issued a ruling in a dispute about zoning under the Rehabilitation Act and Title II of the Americans with Disabilities Act. (*Wisconsin Community Services, Inc. and Wisconsin Correctional Service Foundation, Inc. v. City of Milwaukee, Wisconsin, No. 04-1966*).



The original suit involved a denial by the City's Board of Zoning Appeals of a special-use permit which would allow the Wisconsin Community Services (WCS) to move its clinic to a larger building at a different site in Milwaukee. WCS sued the City claiming that Title II and Section 504 required it to grant a special-use permit as a reasonable accommodation to persons with disabilities.

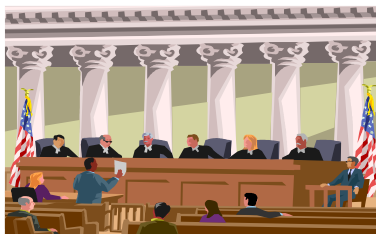
The Court sided with the plaintiffs and agreed with a brief submitted by the Department of Justice. It stated that the reasonable accommodation provision, under 28 C.F.R. 35.130, prohibits a form of discrimination separate from either disparate impact or intentional discrimination. It further stated that Titles I and II of the Americans with Disabilities Act confirm that a failure to make reasonable accommodations (i.e., for disabled persons) is itself a form of discrimination, separate from disparate impact discrimination. In effect, the Court said that the reasonable accommodation requirement is a free-standing theory of liability not simply a remedy for a violation of the disparate impact provisions.

Residential Roof Report

A report by the Partnership for Advancing Technology in Housing" (PATH), "Advanced Residential Roof Systems," outlines a research agenda for how the Partnership can develop residential roof systems that serve multiple functions and improve performance over existing systems. This agenda for identifying potential advances in residential roofs is based on the input of industry, academic, and government leaders who drew upon their specialized knowledge and years of experience. The report details the current status of roofing markets, roof coverings and other components, advanced systems and research efforts, roof system installers, and performance requirements. The scope of this projected research agenda covers residential single-family type buildings, roofs of all ranges of pitch, and roof systems encompassing all components and subsystems from the top of the wall at the ceiling to the roof covering. The report outlines five sets of strategies aimed at achieving gains in (1) hazard mitigation, (2) energy performance of roofs, (3) safety and efficiency in roof system construction, (4) roof functionality, and (5) improving the environmental impact of roofs.

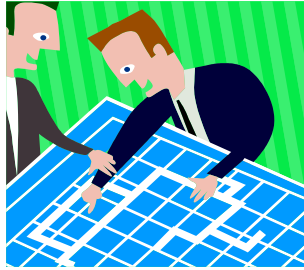


"Advanced Residential Roof Systems" is available as a free download at: www.huduser.org/publications/destech/resroofsys.html.



Zoning & Affordable Housing

The latest edition of the HUD periodical, *Breakthroughs*, focuses on zoning techniques that local governments have been using to encourage affordable development.



Topics in this issue include the following:

- *How authorities in Dennis, Massachusetts enabled an owner to convert an old motel into affordable housing;
- * How local jurisdictions regulate the development of duplex housing in single-family neighborhoods; and
- * How developers in Fairfax County, Virginia use innovative design features to create housing that's visually compatible with the surrounding neighborhoods.

The article is available on the Regulatory Barriers Clearinghouse (RBC) website at: www.huduser.org/rbc/newsletter/vol4Iss4.html.

Philadelphia- "Next Great City"

The *National Geographic Traveler* has proclaimed Philadelphia as America's "Next Great City," a judgment the magazine rendered after taking an in-depth look at the city's vibrant arts and nightlife scene, the Center City condo boom, and its history.



The magazine states that "This is a city that has been greatly overlooked. It's the last great opportunity for anyone who wants a terrific urban life in the northeast."

Exceptional Projects



Many projects in the Philadelphia Hub have received REAC scores of 90 or above, 80 "green" or above FASS scores, and Superior management review ratings. The project owners and management agents of the following projects are commended for their exceptional efforts: **Philadelphia-** United House, Lebanon Village Apartments, Luther Towers II of Dover, Luther Meadows, Chester

Apartments; **Pittsburgh-** Sprucewood Commons, Chestnut Commons, Clairvaux Commons, Elliott Heights, Riverview Phase II, Elk Towers, Quemahoning Towers, Sweetbriar Place, Shady Park Place, Shaler Oaks, Confer Vista, Brighton Heights, Ida Towers, Ira Seligman Apartments, Derry Station, Ridgeview Apartments, Saxonburg Commons, Apple Blossom Place, Sunbury Fields, Decatur Village, and Gable Ridge Apartments; **New Jersey-** Community Options, Trenton Group Home, Teaberry Run, Alexian Manor, Kennedy Blvd. Assoc., Watchung Terrace, Shalom House, Lions Center, and Oak Creek; and **West Virginia-** Pleasantville Towers, Dunbar Towers, G.W. Petroplus Towers, Betsy Broh House, Montani Towers, Market Manor, Twin Rivers Tower, Bridgeport Manor, Summerville Place, and Buckhannon Manor.

Medicare Prescription Drug Plan- Part D

Multifamily Housing has issued Notice H 2005-21, dated 12/09/05, concerning income calculation and verification guidance regarding the implementation of the Medicare Prescription Drug Plan that became effective on 1/01/06. The Notice discusses, in detail, Part D statutory requirements, calculation of annual income, verification of eligibility, and verification of benefits. Also discussed is the temporary program Prescription Drug Discount Card and Transitional Assistance Program that will remain in effect until 5/15/06.



Project owners, management agents, and Contract Administrators are urged to carefully read the Notice to determine the impact that it will have on the recertification of their low-income tenants. The notice can be downloaded at: http://www.hudclips.org/sub_nonhud/cgi/newsdoc_run.cgi.

In addition, an HHS tip sheet can be obtained from the following website: www.cms.hhs.gov/medicarereform/factsheets.asp.

Closings

The following three projects closed in January 2006: *Section 202/811 Initials-* Fayette Hills Unity (Charleston, WV), and *Section 202/811 Finals-* AHEPA (Philadelphia, PA) and FSWPGL I (Pittsburgh, PA).

